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Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 OMB-01 TRSE-00 SS-20 SP-03 L-03 H-03

AID-20 IGA-02 CIAE-00 DODE-00 INR-11 NSAE-00 PA-04

RSC-01 USIA-15 PRS-01 EB-11 DRC-01 /111 W
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R 191007Z AUG 74
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 6135

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E.O. 11652: N/A
TAGS: EGEN, EFIN, EAID, RP
SUBJECT: FY 1975 PHILIPPINE BUDGET

1. PHILIPPINE GOVERNMENT HAS RECENTLY PROVIDED LIMITED DISTRIBUTION OF FY 1975 BUDGET. BUDGET CONTAINS COMPREHENSIVE PRESENTATION OF GOVERNMENT RECEIPTS AND EXPENDITURES FOR FY 1973 (ACTUAL) FY 1974(ESTIMATED) AND FY 1975 (BUDGET). SUMMARY BUDGET STATEMENT APPEARS BELOW. MORE DETAILED INFORMATION WILL BE PROVIDED LATER.

PHILIPPINE BUDGET STATEMENT, FY 1975
(IN MILLION PESOS)

	FY 1973 ACTUAL	FY 1974 ESTIMATE	PERCENT CHANGE	FY 1975 BUDGET	PERCENT CHANGE
RECEIPTS	8,906	15,080	69.3	19,440	28.9
TAXATION & OTHER EARNINGS	7,121	11,042	55.1	14,747	33.6
BORROWING	1,785	4,038	126.2	4,693	16.2
EXPENDITURES	7,941	13,933	75.5	17,718	27.2
ECONOMIC DEVELOPMENT	3,421	7,552	120.7	9,396	24.4
SOCIAL DEVELOPMENT	1,983	2,634	32.8	3,389	28.7
NATIONAL DEFENSE	1,203	1,736	44.3	2,151	23.9
GENERAL GOVERNMENT	845	1,439	70.3	1,862	29.4
DEBT SERVICE	489	572	17.0	920	60.8
TOTAL CURRENT OPERATING EXPENSES	5,784	8,307	43.6	12,043	45.0

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TOTAL CAPITAL OUTLAYS	2,157	5,626	160.8	5,675	0.9

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2. BUDGET REVEALS ESTIMATED 75 PERCENT INCREASE IN PHILIPPINE GOVERNMENT EXPENDITURES BETWEEN FY 1973 AND FY 1974. WHILE AS MUCH AS ONE-HALF OF THIS INCREASE MAY BE ATTRIBUTABLE TO INFLATION (CONSUMER PRICES ROSE NEARLY 40 PERCENT FROM JUNE 30, 1973, TO JUNE 30, 1974), AS INDICATED IN TABLES BELOW SIGNIFICANT INCREASE IN PROPORTION OF PHILIPPINE GNP EXPENDED BY GOVERNMENT APPEARS TO HAVE OCCURRED:

RELATION OF FUNCTIONAL EXPENDITURES TO TOTAL EXPENDITURES AND TO GROSS NATIONAL PRODUCT

A. PERCENTAGE OF TOTAL EXPENDITURES

	FY 1974 (ACTUAL)	FY 1974 (ESTIMATED)	FY 1975 (BUDGET)
ECONOMIC DEVELOPMENT	43.1	54.2	53.0
SOCIAL DEVELOPMENT	25.0	18.9	19.1
NATIONAL DEFENSE	15.1	12.5	12.2
GENERAL GOVERNMENT	10.6	10.3	10.5
DEBT SERVICE	6.2	4.1	5.2

B. PERCENTAGE OF GROSS NATIONAL PRODUCT#

	FY 1973 (ACTUAL)	FY 1974 (ESTIMATED)	FY 1975 (BUDGET)
ECONOMIC DEVELOPMENT	5.5	9.2	9.4
SOCIAL DEVELOPMENT	3.2	3.1	3.4
NATIONAL DEFENSE	1.9	2.1	2.2
GENERAL GOVERNMENT	1.3	1.7	1.9
DEBT SERVICE	0.8	0.7	0.9
TOTAL	12.7	16.8	17.8

#GNP IN CURRENT PRICES FOR FY 1973 (P62 BILLION) OBTAINED FROM GOP STATISTICS. ESTIMATES FOR FY 1974 (P82.7 BILLION) PROVIDED BY EMBASSY. FY 1975 GNP (P100 BILLION) IN SECOND HALF FY 1974 PRICES PROJECTED BY EMBASSY.

3. RISING TREND IN EXPENDITURES ON ECONOMIC INFRA-STRUCTURE IS EVIDENT IN RISE IN ECONOMIC DEVELOPMENT EXPENDITURES AND IN CAPITAL OUTLAYS. BETWEEN FY 1973 AND 1974 PROPORTION OF GNP EXPENDED ON ECONOMIC DEVELOPMENT

ROSE BY 67 PERCENT. INCREASE IN PROPORTION OF GNP SPENT ON NATIONAL DEFENSE BY COMPARISON WAS ONLY 10 PERCENT. MOREOVER, PROPORTION OF GNP SPENT ON DEFENSE IN FY 1974 CONTINUED TO COMPARE FAVORABLY WITH THAT OF NEIGHBORING COUNTRIES.

4. BECAUSE OF UNCERTAINTIES ABOUT THE RATE OF INFLATION WHICH MAY CHARACTERIZE THE PHILIPPINE

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ECONOMY IN FY 1975, THE BUDGET FIGURES FOR FY 1975
ARE MORE USEFUL AS AN INDICATION OF THE ORDERING OF
GOVERNMENT PRIORITIES THAN THEY ARE AS A MEASURE OF
THE ABSOLUTE MAGNITUDE OF EXPENDITURE LEVELS. AS
IT IS, THE IMPACT OF PAST INFLATION ON THE FY 1975 BUDGET
IS BELIEVED SIGNIFICANT. INCREASES IN REAL EXPENDITURES
ARE NOT EXPECTED NOTABLY TO EXCEED REAL GROWTH IN GNP EVEN
THOUGH FURTHER INFLATION COULD RAISE EXPENDITURES IN CURRENT
PRICES SUBSTANTIALLY ABOVE THE BUDGET LEVEL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, BUDGET ESTIMATES, GOVERNMENT EXPENDITURES
Control Number: n/a
Copy: SINGLE
Draft Date: 19 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANILA09895
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740227-0967
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740837/aaaabfjx.tel
Line Count: 125
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 08 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08-Aug-2002 by worrelsw>; APPROVED <03 MAR 2003 by boyleja>
Review Markings:

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US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FY 1975 PHILIPPINE BUDGET
TAGS: EGEN, EFIN, EAID, RP
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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